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**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday June 30, 1976 CI NIDC 76-153C

**NATIONAL SECURITY INFORMATION**  
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State Dept. review completed

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National Intelligence Daily Cable for Wednesday June 30, 1976.

25X1 [REDACTED] The NID Cable is for the purpose of informing senior US officials.

LEBANON

25X1 [REDACTED] The Arab League foreign ministers will meet today in Cairo for the second time this month to consider ways to halt the fighting in Lebanon.

25X1 [REDACTED] //The meeting was called by Egypt, which hopes to appear the defender of Palestinian interests. By condemning the Christians' current offensive against Palestinian refugee camps, Cairo also hopes to put pressure on Syria to dilute its role in Lebanon.//

25X1 [REDACTED] //According to the US embassy in Cairo, the Egyptians believe that Syria is encouraging and possibly colluding with the Christian attack on the Tall Zatar and Jisr al-Basha refugee camps.//

25X1 [REDACTED] //Despite the ostensible thaw in Egyptian-Syrian relations, Cairo wants to demonstrate the other Arab states that Syria bears the responsibility for preventing talks among the Lebanese parties on a political solution and for hindering the Arab peace-keeping effort.//

25X1 [REDACTED] In the closed forum of the Arab League, the Egyptians may succeed in focusing the blame on Syria for the current fighting, and perhaps in inducing some quiet pressure on Syria to halt the Christian offensive.

25X1 [REDACTED] The Arab foreign ministers are unlikely to condemn Syria directly. They will probably reiterate the need for an Arab security force in Lebanon, but be unable to remove the obstacles that have thus far hindered its formation.

25X1 [REDACTED] Libyan Prime Minister Jallud, who has been trying to arrange the entry of the league force, announced the end of his mediation mission yesterday.

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[ ] Jallud blamed virtually all the Arab states for the failure of his efforts, and warned that Libya will now give full support to the Palestinian and leftist cause in Lebanon. He also announced--without explanation--that the arrival of Saudi and Sudanese contingents of the pan-Arab force originally scheduled for today had been postponed indefinitely.

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[ ] Jallud was the sole channel for bargaining between the Syrians, Christians, and the Palestinians, and his departure effectively ends attempts to halt the confrontation.

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[ ] Jallud's decision to return to Libya was apparently prompted by the Christian take-over of Jisr al-Basha refugee camp yesterday.

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[ ] Most of the camp's residents apparently had evacuated the area and the leftists have begun shelling the camp's Christian captors. Palestinian and leftist forces trying to relieve the defenders of Tall Zatar reportedly were driven back yesterday as they tried to fight their way to the camp through the Christian section of Ayn Rummanah.

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[ ] Artillery attacks on Christian positions launched from the museum area were similarly unsuccessful in halting the gradual but persistent advance on the camp.

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[ ] The battle for Tall Zatar has led to heightened violence in other contested areas of the capital, and threatens to set off a major confrontation between the Muslim-controlled western sector of the city and Christian east Beirut.

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[ ] The US embassy reported yesterday that the areas around the embassy and the American University of Beirut have already begun to receive increased artillery shelling and mortar fire.

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[ ] There is growing concern within the diplomatic community that foreign residents and embassies in western Beirut may soon be in serious jeopardy. The British ambassador told US officials that he felt the Christians would attack their Muslim and Palestinian adversaries in the western sector despite the foreign presence.

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[ ] The West German embassy issued an urgent appeal yesterday for its citizens to report for evacuation this weekend, and has decided to reduce its staff to one man. The French embassy has arranged another overland evacuation convoy that is tentatively scheduled to leave for Damascus today. [ ]

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USSR

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[ ] General Secretary Brezhnev's speech at the conference of European communist parties yesterday was a standard recitation of Soviet positions on Europe, the international scene, and relations in the communist world. Brezhnev made no new proposals and broke no new conceptual ground.

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[ ] The speech showed evidence of the 20 months of ideological wrangling that preceded the conference. Brezhnev specifically referred to "proletarian internationalism" and made clear that Moscow still considers the term a concept that should shape relations in the communist world. He labored to emphasize the importance of joint efforts by communist parties, particularly in turning aside efforts of the "imperialists."

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[ ] Brezhnev was careful to note that each party is principally responsible to its own working class and that relations among the parties should be governed by equality and respect for each other's independence. Brezhnev made no case for Moscow's primacy; indeed, he said that "no one had proposed an organizational center" for the world communist movement.

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[ ] These sentiments have been expressed by the Soviets before and will not convince the independent-minded parties.

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[ ] Romanian President Ceausescu, who spoke immediately after Brezhnev, stressed the themes of non-interference in the policies of a national party and the need to respect the diversity of conditions and the independence of each party and country. Yugoslav President Tito, who is scheduled to speak at the opening of today's session, will also articulate the views of the independent-minded parties.

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[ ] Brezhnev took several swipes at China and Chairman Mao but made no effort to read the Chinese out of the movement or to dwell on their ideological apostasy. His diffidence probably stems from a desire to avoid a defense of the Chinese by any of the participating parties. Moreover, with the prospect of Mao's death very much on the minds of Soviet leaders, there may be some interest in not pushing anti-Chinese themes too hard.

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[ ] The Soviet party chief devoted considerable attention to European affairs. He again was defensive on the European security agreement concluded last year, arguing that the USSR and its allies are doing better than the West in living up to its humanitarian and cultural interchange provisions. At the same time, he made clear that Moscow will stick to its own interpretation of what are, and are not, appropriate ideas to be exchanged. He also indicated that Moscow is disappointed that the West has not been more interested in increased economic ties with the USSR.

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[ ] Brezhnev was positive about "detente." He said that the parties should help make it "irreversible," an adjective that has reappeared after an absence from May Day slogans. Brezhnev made clear his belief that "detente" had helped promote advances by "progressives" in Europe and setbacks to "facism" in Portugal, Greece, and Spain. He also went out of his way to cite the "outstanding success" of the Italian Communists in the recent election.

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[ ] The Soviet leader gave an extended account of various disarmament proposals that have been thus far turned aside by the West. His purpose seemed to be to support the thesis that accusations concerning growing Soviet power and designs in Europe are groundless and the work of malevolent forces.

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[ ] Brezhnev mentioned a proposal regarding the withdrawal of nuclear-armed warships from the Mediterranean. He alleged that the US had turned it down. Brezhnev first made such a proposal public in a speech in Poland in July 1974, but it has not been a standard feature of the Soviet disarmament litany.

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[ ] The party chief pledged efforts to improve relations with the US but also expressed irritation with the delay in strategic arms limitations talks caused by "responsible circles" in the US. He referred to the increase in the US defense budget as evidence of forces working against the relaxation of tension. This approach is in keeping with Brezhnev's party congress speech and subsequent Soviet commentary on the cooling in Soviet-US relations, although his remarks on SALT were somewhat sharper than previously. [ ]

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#### GREECE-TURKEY

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[ ] Tensions between Greece and Turkey are growing as a Turkish seismic research vessel prepares to enter the contested Aegean Sea.

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[ ] Turkish officials said last week that the vessel--the Sismik I--would enter the Aegean on July 7. According to other reports, the Sismik I--which has been in drydock--will leave Istanbul on July 7 for a shakedown cruise and not arrive in the Aegean until late July or early August.

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[ ] Ankara is using the ship to assert its claim to a share of the potential mineral wealth of the Aegean seabed and to offset opposition charges that the government has not pressed Turkish rights in the area. The government has been vague, however, on which locations in the Aegean it intends to conduct seismic explorations.

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[ ] There are indications that Ankara may make only symbolic thrusts into the disputed waters in the hope of minimizing Greek reaction while obtaining the desired domestic impact.

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[ ] Athens will take a dim view of any Turkish incursions into disputed waters. Last week the Greeks expressed concern to the US that a Turkish air exercise scheduled for July 6 and 7 off Izmir might be timed to coincide with activities of Sismik I.

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[ ] //Athens believes it must oppose all Turkish research activity outside Turkish territorial waters so as not to appear to acquiesce in Ankara's broader claims. Greek Aegean forces will reportedly raise their level of readiness when the Sismik I enters the area, although they will probably be under orders to avoid a direct confrontation.//

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[ ] For their part, Turkish officials recently assured the US embassy that Ankara does not intend to follow a provocative course and does not plan to provide the Sismik I with a military escort. [ ]

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#### SPAIN

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[ ] //The Spanish Communists reportedly intend to step up efforts to secure a government commitment to legalize the party.//

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[ ] The Communists apparently believe that the government's reform program is beginning to isolate the party from the democratic opposition. Recent Communist setbacks include:

--The deadlock in negotiations among the opposition to form a united labor front.

--The apparent decline of the Communist-backed Democratic Coordination as a common opposition front.

--The reluctance of the democratic opposition parties to demonstrate their solidarity with the Communists by opting out of the government's reform program.

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[ ] //The Communists have reportedly been stymied in their attempt to negotiate directly with the government.//

[ ] Communist leaders have indicated a willingness to defer legalization until after the parliamentary election tentatively scheduled for

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next spring. So far, however, intermediaries from the government have given only what the Communists consider to be "unacceptably vague" hints about lifting the ban at some unspecified future date.//

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[REDACTED] //As a result, the Communists are preparing to take to the streets in the period leading up to the mid-October referendum on the government's proposed constitutional changes.//

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[REDACTED] //Efforts will reportedly be concentrated in the labor sector where the Communist-dominated Workers' Commissions will try to foment strikes and demonstrations. Although they plan to concentrate on the labor sector, they will reportedly also launch a sharp attack on the monarchy.//

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[REDACTED] The Communists apparently hope that this campaign will enable them to bargain labor peace and support for the monarchy in return for the party's legalization.

[REDACTED]  
the government is concerned about the prospect of labor trouble this fall and wants to avoid a serious test with the Communists. There are differences within the government, however, on legalizing the party and a decision is unlikely until after the parliamentary election.//

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[ ] The party's long-standing efforts to enhance its image by proclaiming independence from Moscow were highlighted yesterday by Carrillo's hard-hitting speech at the European Communist Parties Conference in East Berlin. He stressed that the Spanish party no longer regards Moscow as the center of the Communist movement and he explicitly rejected a return to earlier ideas of internationalism. [ ]

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#### ICELAND

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[ ] //A spirited debate is going on in the Icelandic press over whether the US should provide compensation for use of the US-manned NATO base at Keflavik. Some cabinet ministers of both parties in the coalition government have given qualified endorsement to various compensation schemes, although none of these provide for a direct rental payment.//

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[ ] Foreign Minister Agustsson has not publicly supported compensation and told a US embassy official that he does not think his government will call for a renegotiation of the defense agreement. He indicated that the debate is a natural consequence of publicity about "huge" US payments to other countries with American bases. Agustsson said the compensation demands might also stem from the euphoria following the outcome of the fishing dispute with the UK, and could subside as public attention turns to other issues.

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[ ] //Agustsson did, however, say that the debate should not be taken lightly and he advised the US to provide increased aid for civil aviation improvements at Keflavik, funds to supply thermal heat to the base, and a larger reimbursement for the use of Icelandic roads by US troops.//

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[ ] //Iceland's ambassador-designate to the US also attributed the pressure for more aid to the publicity surrounding US compensation to other countries. He said that joint ventures, such as US-training for Icelandic air controllers, might divert attention from other forms of aid.// [ ]

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MBFR-FRANCE

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[REDACTED] //France's rationale for excluding its troops from both the common ceiling and the Allied presentation on force totals at the Vienna force reduction talks makes clear that Paris opposes both an explicit and an implicit limitation on French forces in West Germany.//

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[REDACTED] //On June 10, the Soviets took the unprecedented step of disclosing figures on Warsaw Pact ground and total manpower in Central Europe, and requested similar updated NATO data. Paris took this occasion to register vigorous opposition to continued inclusion of French forces in Germany in data to be given to the East or to counting them under the common ceiling. The Allies were surprised by the French move, despite Paris' arguments that its position was consistent with basic French policy on non-participation in MBFR and that it did not intend to cause a breakdown in the Vienna talks.//

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[REDACTED] //The consequence of the exclusion of approximately 60,000 French troops from the common ceiling would be to increase the asymmetry of reductions required. It would thus greatly reduce the chance of Soviet agreement to the Alliance's major goal of achieving a Warsaw Pact - NATO common ceiling on manpower in Central Europe. Moreover, there would be no MBFR-related restrictions on the size of French forces in West Germany.//

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[REDACTED] //For the moment, the Allies are waiting to see if bilateral demarches will induce the French to agree to some compromise. If not, the Allies will have to examine whether the common ceiling is viable in the face of France's refusal to be counted. [REDACTED]

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#### ISRAEL

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[REDACTED] The Israeli government has reaffirmed its long-standing policy of refusing to negotiate with hijackers. It has not yet indicated what action it may take to recover the 70 or more Israeli citizens who were aboard the Air France jetliner hijacked on Sunday and still held at Entebbe airport near Kampala, Uganda.

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[REDACTED] The hijackers are demanding that Israel and several other states--including France, West Germany, Switzerland, and Kenya--surrender certain Palestinian prisoners they are holding. Tel Aviv is apparently trying to concert strategy with these governments to press for the hostages' release.

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[ ] During the past year, Israel has generally refrained from undertaking military reprisals in reaction to Arab terrorist attacks and will likely act with restraint in the current case provided the Israeli hostages are freed without harm.

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[ ] Tel Aviv probably suspects that one of the hijackers' aims is to provoke an Israeli reprisal in the hope that this would somehow generate more tangible Arab support for the Palestinians whose current plight in Lebanon has evoked surprisingly little reaction from other Arabs.

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[ ] It appears likely that this attack, like several recent terrorist incidents, may have been carried out by a group of terrorists of several nationalities created only for a specific operation. //The hijackers' demand that the girl friend of the Venezuelan terrorist Carlos be freed by the French points in this direction.// Carlos, who was involved in the attack late last year on OPEC headquarters in Vienna, has operational contacts in Latin America, Europe, and the Middle East.

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[ ] The involvement of either Carlos or the PFLP raises the further possibility of Libyan collusion in the hijacking. There is no evidence thus far to directly link Libya with the incident, but Libya has in the past cooperated with both Carlos and the Popular Front in planning terrorist acts. [ ]

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#### KUWAIT

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[ ] //Kuwaiti investment banks are claiming that they are being left out of the lucrative management of large international bond, note, and stock offerings because of their participation in the Arab boycott.//

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[REDACTED] //Under present boycott rules, an Arab firm may appear as an underwriter with a blacklisted firm but may not participate in any co-management arrangement when a boycotted company is involved. Blacklisted established international financial houses, such as Rothchild, Lazard Freres, and Warburg, have apparently convinced the international financial community that their participation is more important than that of newer Arab institutions.//

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#### CHINA-PAKISTAN

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[REDACTED] //The Chinese response to Pakistani Prime Minister Bhutto's recent request for additional military assistance reportedly exceeded Pakistani expectations. China, however, was less generous with its offers of economic assistance.//

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[REDACTED] //China has agreed to supply 150 T-59 tanks, 50 MIG-19 fighter aircraft, 54 "large" field guns, and a number of naval gunboats. Deliveries of the MIG-19 fighters are to be completed within a year, and the new T-59 tanks could begin arriving as early as October.//

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[REDACTED] //The value of deliveries under new and earlier agreements could exceed \$50 million this year and next--the highest level of Chinese military assistance since 1972, when Pakistan was rebuilding its armed forces after the 1971 war with India.//

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[ ] //On the economic side, Chinese officials apparently turned down Bhutto's request for \$400 million in project assistance, pointing to about \$100 million still available under old credits. The Chinese stressed the need to complete projects already under way before embarking on major new undertakings. So far we have seen no indication of a response to Bhutto's request for \$150 million in Chinese credits for purchases of agricultural equipment.//

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[ ] //Bhutto went to Peking last month seeking assurances that normalization of Sino-Indian relations would not proceed at the expense of Pakistan's "special relationship" with China. Chinese promises of increased military assistance were clearly designed to allay such apprehensions and perhaps to moderate any Pakistani disappointment on economic aid. The US embassy in Islamabad reported that the Pakistanis seemed "reasonably pleased" with the results of Bhutto's visit.//

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[ ] //The state of Sino-Pakistani relations will have an important bearing on China's bargaining power with India as the two countries move toward discussion of such important bilateral issues as their border dispute.//

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[ ] //The Indians, for their part, have said they would use the level of Chinese military assistance to Pakistan as a touchstone in determining China's real interest in normalization with India. The new agreement will probably not be too alarming to the Indians because no new weapons are included. Pakistan, however, has for some time been pressing China to provide F-9 fighters--China's best tactical aircraft, a derivative of the MIG-19--and the subject may again be under active discussion. [ ]

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#### USSR-CEMA

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[ ] Soviet Premier Kosygin and the heads of government of most of the eight other CEMA member-states are expected to meet in East Berlin from July 6 to July 8 for their annual session.

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[ ] According to a Soviet economist, a major item on the agenda will be long-term coordination of economic plans. This subject is so difficult and nebulous that no firm decisions are

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likely to be made at the meeting. Poland's abortive effort to raise food prices last week provides an unsettling backdrop and will inevitably draw discussions toward current problems.

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[ ] All the East European member-countries are being buffeted to some degree by the economic pressures that prompted the Polish proposal to increase prices. Some of the problems can be attributed to price hikes on Soviet raw materials, and the East Europeans may take advantage of the Polish riots to seek new short-term benefits from Moscow. The Soviets have their own troubles in the consumer area but, with Poland fresh in mind, could be willing to make some concessions.

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[ ] A recent Soviet-Hungarian agreement to exchange Soviet oil and other raw materials for Hungarian agricultural products over 15 years has been described as the forerunner of similar accords. The East European members may see economic advantage in securing long-term commitments if the accords do not unnecessarily divert goods that can be sold in the West. Moscow also probably sees political advantage in linking the East European economies more closely with the USSR.

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[ ] The participants will probably review progress on various joint projects--such as the Orenburg pipeline--in which the East Europeans are helping develop Soviet raw material resources. In recent years, Moscow has obtained greater participation by the East European countries in these projects and probably will push for more participation, perhaps in return for short-term concessions.

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[ ] The communique that will come out of the meeting will prod the EC to give prompt consideration to CEMA's recent draft proposal for cooperation, and may try to give new impetus to the Soviet proposals for European discussions of key economic problems.

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[ ]

#### HUNGARY

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[ ] Last week's riots in Poland present the Hungarian leadership with the difficult decision of whether to implement the price increases on meat products scheduled to take effect tomorrow.

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[ ] The price hikes--which average 33 percent, but may be much steeper for some meats--were announced last November. Before the Polish price plans collapsed last Friday the Hungarian finance minister said that his government would proceed with the planned increases.

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[ ] Party leader Kadar delayed rent hikes in early 1971 in reaction to the Polish riots of December 1970. The price increases planned for meat were originally slated for 1972, but were delayed then because of worker grievances and differences within the leadership on economic issues.

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[ ] The consumer's pocketbook has been squeezed lately, and there is evidence of increased grumbling and some food shortages. While price increases do not carry the political symbolism they do in Poland, they have been a matter of sensitivity. In fact, a Hungarian deputy premier admitted last Thursday that the situation has produced "a certain strain" between the party and the people.

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[ ] In light of the Polish developments, the Soviets may also prefer that the Hungarians not boost prices. A decision on the boost could emerge from the meeting that Kadar and Soviet General Secretary Brezhnev are likely to hold at the current European Communist party conference.

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[ ] For domestic reasons, Budapest may not wish to damage its credibility by retracting a decision on the public record for so long, particularly since the economic rationale for the increases is still present and the proposed increases are mild compared to those deferred in Poland.

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[ ] The regime's decision will probably take into consideration that the population has not been as volatile as the Poles over the issue of price increases. Older Hungarians apparently are still inhibited by the events in 1956, and many may fear a public outburst would upset the relatively good deal that has evolved under Kadar. [ ]

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